

STATEMENT OF CONGRESSMAN HENRY A. WAXMAN
CHAIRMAN, SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT
ON THE GAO'S STUDY COMPARING US/UK DRUG PRICES

February 2, 1994

I am pleased to release the report by the General Accounting Office (GAO) which compares the prices for brand-name prescription drugs in the United States and the United Kingdom.

At my request, GAO set out to examine the prices of the top 200 selling drugs in both countries. GAO was able to match 77 of those drugs. These 77 drugs have the same manufacturer, and are sold in the same dosage form and strength in both countries.

On average, GAO found that drug manufacturers charge wholesalers **60% more for the identical drug** in the United States than they charge in the United Kingdom.

For 61% of the drugs studied, manufacturers' prices are at least twice as high in the U.S. as in the U.K. As chart 1 shows, three of the top selling five drugs in the U.S. cost at least twice as much here as in the U.K.

Even more striking, 8 of the top selling 200 drugs cost at least 500% more in the U.S. than in the U.K. The winner of the contest is Nordette, a birth control pill. As chart 2 shows, Wyeth-Ayerst charges \$4.60 for 100 pills of Nordette in the U.K. The company's price for the same 100 pills in the U.S. is \$83.60, 1,712% higher.

These numbers translate into real costs to real people, particularly the elderly who purchase 34% of the drugs sold in this country. If we are serious about controlling health care costs, we must address the issue of prescription drug prices.

Americans were outraged when I released GAO's report comparing U.S. and Canadian drug prices. That report showed that manufacturers' prices for identical prescription drugs averaged 32% more in the U.S. than in Canada. Now we find another dramatic example of how drug companies charge more in the U.S. than abroad.

There is evidence that the differential is even greater between the U.S. and other European countries. According to the GAO, because U.K. prices tend to be higher than in Europe, U.K. wholesalers and retailers engage in a practice called "parallel importing." Using this practice, the U.K. imports between 8% and 12% of its drugs from countries such as France where prices are substantially cheaper than in the U.K.

According to GAO, profit and price controls are a major reason why drug prices are lower in the U.K. The U.K. both limits the profits of drug companies, and limits price increases after drugs have been introduced.

The drug industry has argued that the regulation of drug prices will diminish drug research. If this were true, there should be little drug research in the U.K. To the contrary, the U.K. has a robust drug industry, which ranks number 3 in the world. The biggest drug company in the world -- Glaxo -- is based in the U.K. Other well-known companies such as Burroughs Wellcome are also based in the U.K. The U.K. has found a way to have it both ways -- that is both low prices and drug research.

What do these large U.S.- U.K. price differentials mean for health care reform? Beyond any doubt, the U.S. is substantially subsidizing low drug prices in the rest of the world. There is considerable room to bring U.S. drug prices down, and so we must continue to focus on drug price increases.

The President's plan contains some very modest provisions designed to address the issue of drug prices. The two most significant are the authority given to the Secretary of HHS not to pay for a drug under the Medicare program if the drug is too expensive, and the advisory committee which has the authority to review the reasonableness of new breakthrough drug prices.

I support the provisions in the President's plan. I believe they will help to moderate drug price inflation, without undercutting drug research incentives. Although I am not convinced that the President's proposals are sufficient, they certainly provide a good starting point for addressing this critical issue.

The drug industry has produced miracle drugs that can save lives as well as save health care costs. Certainly profits have been a major stimulant to this research, although, as the Office of Technology Assessment demonstrated in its recent study, too much research is devoted to copying other profitable drugs rather than to discovering new breakthrough products. But we must find a way to balance research incentives and price in a way that is fairer to the American consumer.

Finally, I would like to acknowledge the excellent work of the General Accounting Office. I asked for this study because earlier comparisons of international drug prices had been criticized as having a flawed methodology. I am convinced that this study is fair and that GAO has adequately answered any serious criticism that could be made. Specifically, I would like to acknowledge Leslie Aronovitz, Sarah Glavin and Claude Hayeck, who are here from GAO. After I take a few questions, they will be available to answer any further questions of a technical nature that you may have.

Chart 1: Price Differentials For The Five Most Commonly Dispensed U.S. Drugs

Rank	Product	Manufacturer or Vendor	Why The Drug Is Prescribed	U.S. Price per 100/ U.K. Price per 100	Percent price difference ¹
1	Amoxil 250 mg capsule	Beecham	Antibiotic	\$16.50/\$27.30	-40
2	Premarin .625 mg tablet	Wyeth-Ayerst	Estrogen	\$27.60/\$9.30	197
3	Zantac 150 mg tablet	Glaxo	Gastro-intestinal (ulcers, for example)	\$122.80/\$77.50	58
4	Lanoxin .25 mg tablet	Burroughs Wellcome	Heart Conditions	\$6.30/\$2.30	169
5	Xanax .5 mg tablet	Upjohn	Central Nervous System (anxiety, for example)	\$51.90/\$13.70	278

¹Percent differentials calculated manually may differ due to rounding.

Chart 2: Products with Large Differences Between U.S. and U.K. Prices

Rank	Product	Manufacturer or Vendor	Why The Drug Is Prescribed	U.S. price per 100/ U.K. price per 100	Percent price difference ¹
122	Nordette .15/.03 mg tablet	Wyeth-Ayerst	Contraceptives	\$83.60/\$4.60	1,712.00
94	Ativan 1 mg tablet	Wyeth-Ayerst	Central Nervous System (anxiety, for example)	\$51.60/\$4.10	1,154.26
57	Valium 5 mg tablet	Roche	Central Nervous System (anxiety, for example)	\$44.60/\$3.90	1,031.28
163	Compazine 10 mg tablet	Smith Kline French Labs	Tranquilizers	\$61.00/\$5.80	945.34
41	Inderal 40 mg tablet	Wyeth-Ayerst	Heart Conditions	\$37.40/\$3.80	871.62
37	Triphasil tablet	Wyeth-Ayerst	Contraceptives	\$76.70/\$8.20	836.3

¹Percent differentials calculated manually may differ due to rounding.